HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Quebec Region Highlights

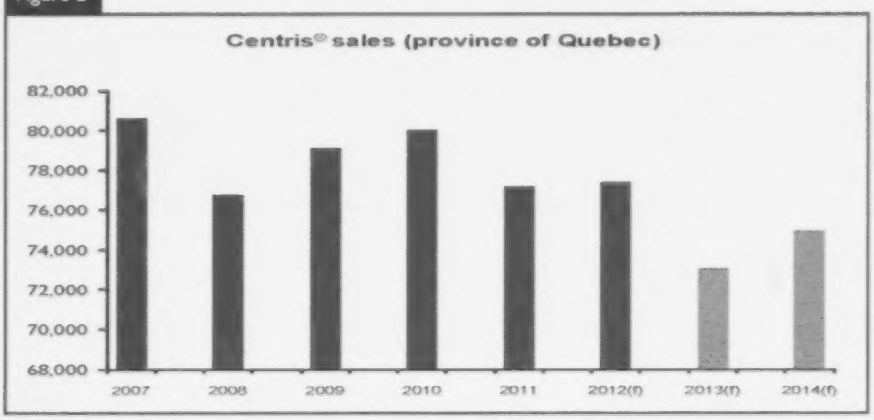
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fourth Quarter 2013

Housing Market Forecast

Figure 1

Figure 2



Source: CMHC

Overview

In Quebec, relatively slow economic and employment growth will reduce demand of existing and new homes this year. As well, easing resale markets and relatively high inventories of new dwellings will significantly lower housing starts in 2013. Nonetheless, demographic trends will support housing demand into 2014, at which time a strengthening economy and tightening resale markets will energize both the resale and new housing markets.

On the economic front, Quebec's labour markets still feel the impacts of a slow recovery south of the border and of more favourable employment prospects in western Canada. Economic accounts for the first half of the year show slower rate of private investment in machinery and labour. For this reason, employment will progress at a relatively slow pace in 2013 and 2014 (approximately 1 per cent each year). Meanwhile, public and consumer spending have increased moderately, as have done exports. GDP growth of between 1.3 and 2.0 per cent growth is expected during the forecast horizon.

Demographic trends will continue to support the province's housing markets in the next two years. Sustained immigration to the province will still have a positive impact on demand in the rental market, as flows are expected to remain stable during the next two years. Total net migration is expected to reach, respectively, 44,300 and 45,300 persons in 2013 and 2014. While moderating demand from younger households cools first-time buying, population aging will prompt some older households to re-enter the market in response to their evolving housing needs.

Mortgage rates to see modest and gradual increases late in the forecast horizon but will remain low by historical standards

Following the June meeting of the Federal Open Market Committee (FOMC) of the U.S. Federal Reserve Board, interest rates rose modestly and then remained steady in both the U.S. and Canada. According to the Federal Reserve Bank of New York, this reflected a change in the risk assessment of investors and not a change in the expected future path of interest rates.[1]

CMHC's interest rate forecast mirrors this view. Hence, mortgage rates have been slightly revised up in the third quarter of 2013 but, thereafter, follow the same interest rate path as before. Nevertheless, this interest rate outlook will continue to be supportive of housing market activity over the forecast horizon, as mortgage rates will remain low by historical standards.

Mortgage rates are expected to increase gradually and steadily over the forecast horizon. By the end of 2014, mortgage rates are forecast to be somewhat higher than in the third quarter of 2013. According to CMHC's base case scenario for 2013, the average for the one-year posted mortgage rate is forecast to be within 3.00 per cent to 3.50 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent. For 2014, the average for the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.00 per cent.

Mortgage rates		
1 Year	Q3 2013	3.14
	Change from Q3 2012	0.04
	2013 (F)	3.00 - 3.50
	2014 (F)	3.25 - 3.75
5 Year	Q3 2013	5.27
	Change from Q3 2012	0.03
	2013 (F)	5.00 - 5.50
	2014 (F)	5.25 - 6.00

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q3 2013 data

In Detail

Single Starts:

In 2013, moderate job growth, the continued easing of the resale market, which is expected to attract a greater part of housing demand, and the trend toward multifamily dwelling will contribute to reduce single starts and translate into a total of 13,200 single-detached homes started. In 2014, a tighter resale market will bring some support to the new housing market segment, which is expected to result in a similar number of starts as in 2013.

Multiple Starts:

The trend toward the multi-family market segment is still explained by its relative affordability, the changing needs of an aging population and by densification trends. Fuelled by the popularity of condominium apartments, supply in this market segment has increased significantly. As a result of three years of sustained construction from 2010 to 2012, market conditions in this market have eased notably. Starts of multi-family dwellings will thus decrease by nearly 25 per cent this year. Multiple starts will decrease below the 24,000 level in 2013 and stabilize in 2014 (23,500).

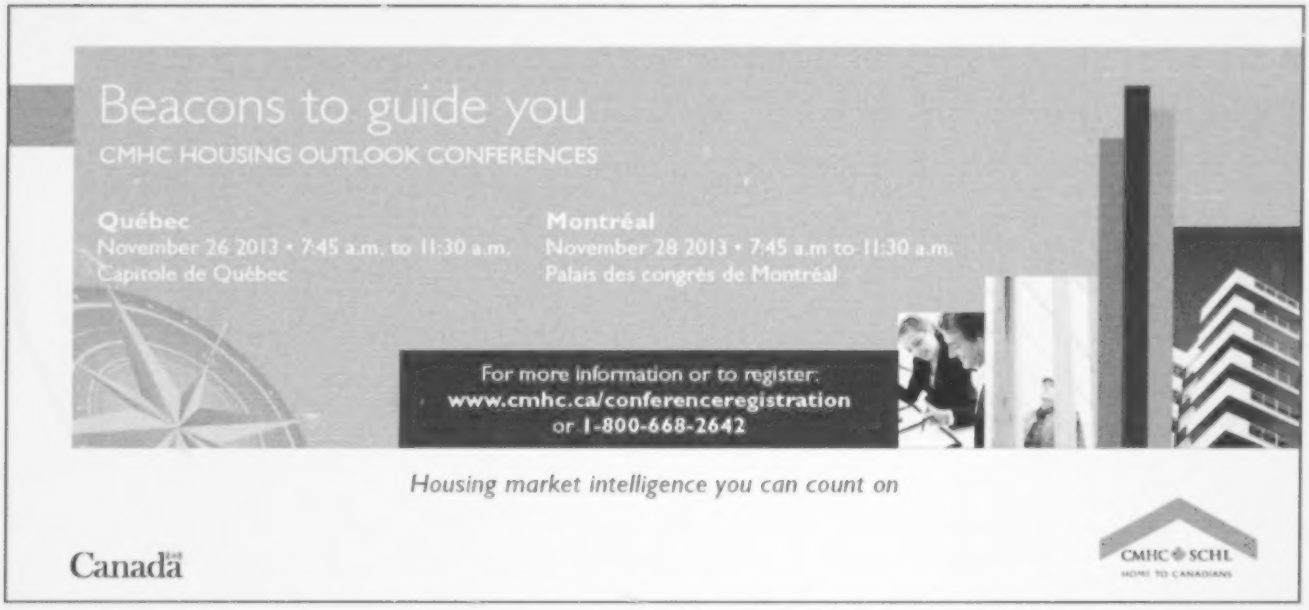
Resales:

While remaining stable in 2012, sales recorded by Centris®12 have been recently declining as a result of the overall economic context discussed previously. Despite a certain rebound in the second half of this year, resales will come in at a lower level this year. For 2013, just over 73,000 such transactions are forecast. As buying conditions improve, total resales will be back in growth mode next year. In total, 75,000 Centris® sales are forecast for 2014.

Prices:

Relatively lower demand for resale homes, combined with rising supply, has taken pressure off price growth in recent quarters and should continue to do so throughout the forecast horizon. In this context, price growth in the resale market will continue to moderate in 2013. The average price recorded by Centris® will reach $268,000 this year and approach the $270,000 mark in 2014.

[1] "Preparing for Takeoff? Professional Forecasters and the June 2013 FOMC Meeting" Federal Reserve Bank of New York (2013). Richard Crump, Stefano Eusepi, and Emanuel Moench (http://libertystreeteconomics.newyorkfed.org/2013/09/preparing-for-takeoff-professional-forecasters-and-the-june-2013-fomc-meeting.html)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Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	Centris® Sales[2]	Centris® Average Price[2] ($)
Gatineau	Q3 2013	-2.2	5.9	917.72	Q3 2013	597	160	437	872	244,699
	Q3 2012	-1.0	6.1	922.80	Q3 2012	619	211	408	863	239,714
	Change[1]	-1.2	-0.2	-0.6%	% Change	-3.6	-24.2	7.1	1.0	2.1
Montréal	Q3 2013	2.1	8.3	798.61	Q3 2013	4,050	725	3,325	7,320	326,419
	Q3 2012	1.8	8.1	813.04	Q3 2012	5,648	981	4,667	7,147	327,349
	Change[1]	0.4	0.2	-1.8%	% Change	-28.3	-26.1	-28.8	2.4	-0.3
Québec	Q3 2013	-0.6	4.8	838.46	Q3 2013	1,116	261	855	1,270	267,016
	Q3 2012	-3.6	5.5	813.93	Q3 2012	1,895	260	1,635	1,295	261,895
	Change[1]	3.0	-0.7	3.0%	% Change	-41.1	0.4	-47.7	-1.9	2.0
Saguenay	Q3 2013	-1.8	8.2	779.68	Q3 2013	229	106	123	240	189,351
	Q3 2012	10.1	7.5	790.48	Q3 2012	223	126	97	306	182,392
	Change[1]	-11.9	0.7	-1.4%	% Change	2.7	-15.9	26.8	-21.6	3.8
Sherbrooke	Q3 2013	-3.3	7.3	766.00	Q3 2013	232	111	121	342	253,113
	Q3 2012	-1.5	8.5	748.65	Q3 2012	350	188	162	372	226,978
	Change[1]	-1.8	-1.2	2.3%	% Change	-33.7	-41.0	-25.3	-8.1	11.5
Trois Rivières	Q3 2013	-1.6	9.0	763.94	Q3 2013	201	50	151	209	160,526
	Q3 2012	-2.9	7.6	770.09	Q3 2012	183	79	104	215	148,713
	Change[1]	1.3	1.4	-0.8%	% Change	9.8	-36.7	45.2	-2.8	7.9
Province of Quebec	September 13	0.3	7.6	794.04	Q3 2013	9,892	3,730	6,162	15,223	269,698
	September 12	1.0	7.9	793.90	Q3 2012	13,113	4,761	8,352	15,158	268,991
	Change[1]	-0.7	-0.3	0.0%	% Change	-24.6	-21.7	-26.2	0.4	0.3
Canada	September 13	1.2	6.9	887.27	Q3 2013	52,734	22,667	30,067	123,273	382,222
	September 12	1.1	7.3	872.65	Q3 2012	60,338	24,896	35,442	109,538	352,322
	Change[1]	0.1	-0.4	1.7%	% Change	-12.6	-9.0	-15.2	12.5	8.5

[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Centris® Statistics

[2] Source for Canada resale housing data is the Canadian Real Estate Association (CREA).
The Centris® system contains all the listings of Québec real estate brokers.

"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered

Quebec Housing Market Outlook (units and percentage change)												
	2008	2009	2010	2011	2012	2013(F)	2014(F)	2013Q4 (F)	2014Q1 (F)	2014Q2 (F)	2014Q3 (F)	2014Q4 (F)
Housing Starts:												
Single	19,778	17,535	19,549	16,554	16,059	13,300	13,200	13,200	13,200	13,200	13,200	13,200
%	-10.8	-11.3	11.5	-15.3	-3.0	-17.2	-0.8	0.8	0.0	0.0	0.0	0.0
Multiple	28,123	25,868	31,814	31,833	31,308	23,700	23,500	23,900	23,500	23,500	23,500	23,500
%	6.6	-8.0	23.0	0.1	-1.6	-24.3	-0.8	1.3	-1.7	0.0	0.0	0.0
Total	47,901	43,403	51,363	48,387	47,367	37,000	36,700	37,100	36,700	36,700	36,700	36,700
%	-1.3	-9.4	18.3	-5.8	-2.1	-21.9	-0.8	1.1	-1.1	0.0	0.0	0.0
Existing Home Markets:												
Centris® Sales	76,752	79,107	80,027	77,167	77,381	73,100	75,000	74,500	74,750	75,750	75,250	74,250
%	-4.8	3.1	1.2	-3.6	0.3	-5.5	2.6	0.1	0.3	1.3	-0.7	-1.3
Centris® Average Price	215,323	225,369	241,455	252,148	260,524	268,000	269,800	260,000	268,000	270,000	270,500	270,500
%	3.8	4.7	7.1	4.4	3.3	2.9	0.7	-2.9	3.1	0.7	0.2	0.0

The Centris® system contains all the listings of Québec real estate brokers.

Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

All data in this table, except the MLS (R) average price, is seasonally adjusted at annual rates. The MLS (R) average price data is actual.

Quebec Region - Housing Forecast Ranges

	2013			2014		
	Point Forecast	**High Forecast**	**Low Forecast**	**Point Forecast**	**High Forecast**	**Low Forecast**
Province of Quebec						
Housing Starts	37,000	37,900	36,100	36,700	40,600	32,800
Multiple	23,700	24,300	23,100	23,500	26,000	21,000
Single	13,300	13,600	13,000	13,200	14,600	11,800
Centris® Sales	73,100	75,700	70,500	75,000	79,600	70,400
Centris® Average Price ($)	268,000	272,000	264,000	269,800	273,900	265,700
Canada						
Housing Starts	185,000	190,600	179,300	184,700	205,700	163,700
Multiple	107,800	111,100	104,500	105,700	117,500	93,900
Single	77,200	79,600	74,800	79,000	88,200	69,800
MLS® Sales	456,700	474,000	439,400	468,200	498,100	438,300
MLS® Average Price ($)	378,000	383,700	372,300	385,200	396,300	374,100

Source : CMHC

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MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Quebec Region Housing Forecast - New Construction

	Housing Starts	2012	2013(F)*	% chg (2012/2013)	2014(F)*	% chg (2013/2014)	YTD 2013**	YTD 2012**	% chg (2012/2013)
Gatineau	Single-Detached	688	450	-34.6	425	-5.6	354	545	-35.0
	Multiple	2,071	1,300	-37.2	1,400	7.7	942	1,565	-39.8
	Total	2,759	1,750	-36.6	1,825	4.3	1,296	2,110	-38.6
Montréal	Single-Detached	3,959	3,100	-21.7	3,300	6.5	2,276	3,026	-24.8
	Multiple	16,632	13,000	-21.8	13,000	0.0	8,791	12,177	-27.8
	Total	20,591	16,100	-21.8	16,300	1.2	11,067	15,203	-27.2
Québec	Single-Detached	1,258	1,000	-20.5	900	-10.0	754	938	-19.6
	Multiple	5,158	3,500	-32.1	3,100	-11.4	2,649	3,970	-33.3
	Total	6,416	4,500	-29.9	4,000	-11.1	3,403	4,908	-30.7
Saguenay	Single-Detached	400	325	-18.8	300	-7.7	252	311	-19.0
	Multiple	717	700	-2.4	555	-20.7	485	413	17.4
	Total	1,117	1,025	-8.2	855	-16.6	737	724	1.8
Sherbrooke	Single-Detached	610	450	-26.2	500	11.1	345	506	-31.8
	Multiple	1,131	900	-20.4	950	5.6	586	776	-24.5
	Total	1,741	1,350	-22.5	1,450	7.4	931	1,282	-27.4
Trois Rivières	Single-Detached	305	230	-24.6	200	-13.0	172	234	-26.5
	Multiple	716	620	-13.4	425	-31.5	470	514	-8.6
	Total	1,021	850	-16.7	625	-26.5	642	748	-14.2

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.
** YTD = January - September

Quebec Region Housing Forecast - Resale Market

		2012	2013(F)*	% chg (2012/2013)	2014(F)*	% chg (2013/2014)	YTD 2012*	YTD 2013*	% chg (September/s
Gatineau	Centris® Sales[1]	3,865	3,625	-6.2	3,775	4.1	3,183	2,905	-8.7
	Centris® Avg. Price[1]	238,807	243,000	1.8	247,000	1.6	239,132	243,481	1.8
Montréal	Centris® Sales[1]	40,091	37,500	-6.5	40,000	6.7	32,622	29,236	-10.4
	Centris® Avg. Price[1]	321,075	325,000	1.2	326,500	0.5	319,920	323,200	1.0
Québec	Centris® Sales[1]	7,219	6,500	-10.0	6,900	6.2	5,798	5,030	-13.2
	Centris® Avg. Price[1]	257,942	266,000	3.1	271,000	1.9	257,464	268,012	4.1
Saguenay	Centris® Sales[1]	1,450	1,200	-17.2	1,200	0.0	1,191	990	-16.9
	Centris® Avg. Price[1]	185,623	190,000	2.4	195,000	2.6	185,682	191,031	2.9
Sherbrooke	Centris® Sales[1]	1,784	1,600	-10.3	1,650	3.1	1,451	1,350	-7.0
	Centris® Avg. Price[1]	216,662	217,000	0.2	218,000	0.5	215,143	224,624	4.4
Trois Rivieres	Centris® Sales[1]	1,026	935	-8.9	880	-5.9	839	764	-8.9
	Centris® Avg. Price[1]	154,558	161,500	4.5	164,500	1.9	155,596	159,054	2.2

The Centris® system contains all the listings of Québec real estate brokers.
Sources: CMHC, CREA, Centris® Statistics, CMHC Forecast

[1] Source for the CMA's : Centris® Statistics, YTD: January to December

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

* YTD = January - September

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2012	Oct 2013(F)	Oct 2012	Oct 2013(F)
Gatineau	3.3	4.0	743	760
Montréal	2.8	2.7	711	720
Québec	2.0	2.5	741	755
Saguenay	2.0	2.5	549	560
Sherbrooke	5.0	5.0	578	585
Trois Rivières	5.2	5.8	550	560
Canada	2.8	2.5	n/a	n/a

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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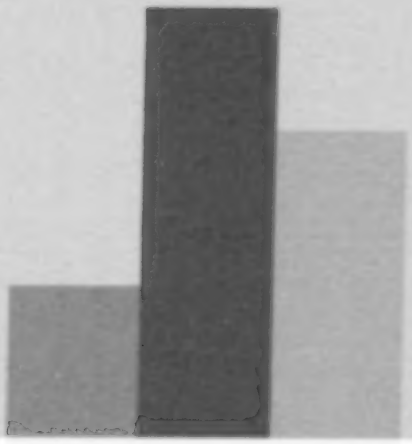

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